

**ANNOUNCEMENT #2
FOR
RFA#TIRNO-99-H-00002, PROJECT 6
DEBT INDICATOR PILOT**

Some additional questions we have received from Industry in response to this RFA are stated below along with IRS's response. References to Question and Answer numbers preceding those below are directing the reader to Announcement #1, which is also published on this web page. See the last numbered amendment to Project 6 on this web page for the proposal due date.

Q24 – How should we calculate the rejection rate for #2, page 3? Do we include all rejections even if they are out of our control (i.e. SSN/name mismatches)?

A24 – See Question and Answer 17. All rejections are to be included.

Q25 – Much of our ERO and transmitter screening for abuse actually prevents the return from being transmitted to the IRS. I'm assuming that the IRS does not want reporting on those returns that were screened but never transmitted, correct? This will also dramatically reduce the number of returns on which we will report. Is that a concern to the IRS?

A25 – The IRS does not want reporting on those returns that were screened but never transmitted.

Q26– Please state what you have in mind for screening. In your answer, please differentiate between returns that I prepare and those that are brought to me fully prepared.

A26 – We are asking prospective partners for this proposed debt indicator pilot what they will do to screen for abusive returns. These screens should be the same for all returns sent to the IRS.

Q27 – Why limit this to bank products? This information would be of benefit to my clients who request direct deposit or a paper check.

A27 – This was previously answered. See Question and Answer 18.

Q28 – Will the record layouts be changed to include a field noting the review status or will this come later in the form of the weekly report?

A28 – No record layout change will be made.

Q29 – When we send the RAL indicator, do we make this an “N” if the abuse review status would cause the loan to be denied, even though the individual requested a RAL?

A29 – The IRS will provide to companies selected for partnership agreements as a result of the RFA the appropriate character to put in the RAL field.

Q30 - I am quite disappointed to find out that the IRS is keeping the idea of the debt indicator so secretly. Is this pilot going to limit many small tax preparers? Why aren't all ERO's included in this pilot?

A30 – All ERO's who meet the mandatory requirements are eligible to submit proposals. Also, see Question and Answer 2. This is intended as a pilot and not as a roll-out to the entire community at this time. The RFA was never intended to be a secret. It is available through the Internet access to the IRS Procurement Web Site.

Q31 - The RFA indicates submission must be by Microsoft Word 97 or WordPerfect 6.1 or lower. We have neither of those software packages. Will an ASCII text file readable by any software be acceptable? If not why not?

A31 – If it is readable by MS Word 97 or WP 6.1, it will be acceptable. If we cannot read the file transmitted, we will contact the offeror who delivered it.

Q32 – Based on Announcement #1, Q4, it would seem software companies should provide a list of EFINS and ETINs they are responding for. As a software company, we do not know ETINs and/or EFINS of our direct filers. (If I remember correctly, ETINs are confidential.) In addition, at the time the RFA is submitted, new users of the software will not necessarily be identified. How will IRS address this situation? Will all EROs (direct and 3rd party) be automatically included if the software company's RFA is accepted.

A32 – EROs must be approved by the IRS as an ERO at the time of this submission and must have participated in Filing Season 1999 (Tax Year 1998) in order to be considered for an Agreement as a Partner with IRS for this pilot. If as a software company, you do not meet all the mandatory requirements of the RFA's Section 1.3, partner with one or more EROs who do meet all of these requirements and have them submit a proposal in response to this RFA. EROs who are also transmitters and meet all of the RFA's mandatory requirements shall provide ETINs as stated in the RFA's Section 2.1 instructions. EROs or software companies who are not transmitters and who do not meet the RFA's mandatory requirements need to team with a transmitter who does meet the RFA's mandatory requirements and who will submit a proposal. In this latter case, the EFINS of the participating EROs would be useful for identification of the team members but they are not required by the RFA's Section 2.1 instructions.

Documentation of the participating software company's agreement to required modifications to its software would also be useful.

Q33 – Will email and/or fax be an acceptable means to provide a list of suspect returns, SSNs to the IRS?

A33 – E-mail is our preference; however, we will accept other methods of transmitting the information.

Q34 – The original RFA refers to “screens” for abuse but does not stipulate the methods for the screen. I assumed that this was to draw on the general knowledge base of the current participants in the e-filing community. However, from answers that I have seen in Announcement #1, it would appear the IRS is expecting all screens to be software based. Is this correct or are screens allowed to be manual processes? Many screens can be done by an ERO that are impossible for a computer. For example, does the applicant photo-id match the SSN card, do any documents appear to be altered, and does the W-2 match other W-2s for the same employer?

A34 – The IRS has no pre-conceived notions as to how the screens will be completed. We will consider both those that are software-based and those done by a manual process.

Q35- Under the current RFA in a question regarding Direct to the IRS Filers, you answered that the software version should be sufficient for reporting instances of fraud which were detected before filing a return electronically. In fact, many Direct Filers have their own direct to the bank arrangements. I see no possibility of meeting the RFA for Direct Filers unless either the fraud information requested is faxed by the ERO on a weekly basis or the bank would be the reporter. Am I correct in assuming Direct Filers will be excluded from the Pilot except under the scenarios mentioned?

A35 – No. A4 in Announcement #1 states that the “...software... used to transmit a return requesting a RAL will need to be modified.” Please see the requirement in the RFA's Section 1.3.

Q36 – How can a software company submit a request for Direct to the IRS filers by EFIN and ETIN as suggested when: 1. The ETIN number is unknown to the software developer. 2. The volume is unknown to the software developer since the ERO transmits Directly to the IRS. 3. The rejection percentage is unknown to the software developer for the same reason.

A36 – See Question and Answer 32 above.

Q37 – Can an ERO be added to the list of EROs submitted on the initial RFA from a Transmitter or software developer after August 11, 1999 under any circumstances?

A37 – Yes, this can be done within an agreed timeframe before the pilot commences. An ERO to be added would use the same software as the other participating EROs and would agree to the screening procedures approved by the IRS for the particular Agreement.

Q38 – Since the number of electronically filed returns and rejection percentage may be unknown to a software developer for many of their users (specifically an ERO filing Directly to the IRS), Can a list for every EFIN be submitted in the proposal as long as the reporting software company has a method in their proposal to exclude any EFIN that didn't electronically file over 100 returns with a rejection rate less than 15% before permitting that firm to be able to receive a debt indicator.

A38 – See Question and Answer 32 above.

Q39 – Reference answer A7: how is a return abusive for a RAL but not abusive for filing purposes?

A39 – See the RFA Section 1.2 footnote 4.

Q40 – It would appear that it is not necessarily required for a tax preparer's software company to propose or be accepted for the Debt Indicator pilot as long as the software will support the requirements, and the preparer proposes and is accepted. Is that correct?

A40 – Yes if the preparer who submits the proposal meets all of the RFA's mandatory requirements.

Q41 – 1. It would appear that, to receive the debt indicator, each preparer (EFIN) would need to propose and be accepted for the pilot program, even if the preparer uses a filing agency that is accepted. Is that correct? 2. If the filing agency is not accepted, can the preparer be accepted and still use the filing agency?

A41 – See Question and Answer 32 above.

Q42 – Is a RAL bank required to be accepted for the program in order for a preparer who uses the bank to obtain the debt indicator?

A42 – RAL banks used by companies who are included in the proposals accepted by the IRS for agreements will be participants in the pilot.

Q43 – 1. Is it required that each return electronically filed have the fraud and abuse screening indicated, or 2. is the assurance in the Memorandum of Agreement that the screen will be used in all cases sufficient?

A43 –The RAL indicator filed is a mandatory field for the returns. A unique indicator will be provided to those accepted by the IRS for agreements for this pilot. It will be placed in the RAL field, and this will indicate that the return has been screened for abuse. The screens that will be done must be described in the proposal.

Q44 – Is it required that each return have the consent to disclose indicator, or is the assurance in the MOA that it will be accomplished sufficient?

A44 – It must have the consent to disclose indicator.